

BEDFORD COLLEGE

**Report and Financial Statements
for the year ended 31 July 2009**

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Operating and Financial Review

Nature, Objectives and Strategies

The members present their report and the audited financial statements for the year ended 31 July 2009.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting Bedford College. The College is an exempt charity for the purposes of the Charities Act 1993 as amended by the Charities Act 2006.

The Corporation was incorporated as Bedford College.

Mission

The College's mission, as approved by its members, is to:

- *Promote the value of learning*
- *Extend opportunity to enhance the social and economic development of the communities it serves*
- *Create purposeful learning environments that enable students to meet their aspirations*
- *Support and develop its staff*

and by so doing be perceived as the first choice provider of further education and training in Bedfordshire and its surrounding area.

Implementation of strategic plan

In July 2006 the members of the Corporation approved a new strategic plan for the four years to July 2010. The seven strategic aims contained therein are to be:

- the leading advocate for learning within the local community with strong and productive links with other partners
- a nationally recognised centre of excellence in arts and technology education
- the leading provider of care, leisure, and business training in the county
- the best local sixth form measured by results and value added
- a leading and innovative provider of work-based and community-based learning
- a provider of expert and individual guidance, advice and other student support services including first class learning environments
- a first choice employer, well managed and financially robust.

The College has continued to make sound progress in addressing the actions in the Strategic Plan to the extent that they are largely complete and a new Strategic Plan is being developed.

Operating and Financial Review (continued)

Financial objectives

The College has two key financial objectives, which are to remain financially robust and to remain solvent. There are also five strategic baseline indicators against which the College regularly measures itself and it was ahead of all of these during 2008-09.

Performance indicators

Although the LSC continues to measure FE performance in terms of contribution to national targets, individual colleges are now required to submit three-year development plans which are reviewed each year. These development plans focus on four headline targets:

- learner number growth and achievement of LSC funding targets
- learner success rates
- teacher qualifications
- employer engagement

In 2008-09 the College exceeded its LSC 16–18 learner number target by 6%, and the adult target by 9%. The overall funding target was exceeded by 3%. Learner success is referred to below, and all teaching staff hold a recognised teaching qualification or are enrolled on a programme to achieve this. Employer engagement targets have been met.

The LSC has also implemented a new system of performance measures for colleges, the “Framework for Excellence” replacing the old “ABC” framework for all providers in 2008/09. The Framework has three dimensions:

- Responsiveness
- Effectiveness
- Finance

Each of these has two or three Key Performance Areas. These Areas are further broken down into Performance Indicators supported by Performance Measures which are absolute measures of performance such as the outcome from a learner survey or a qualification success rate. In deriving the overall performance rating, the Framework gives equal weighting to each of the three dimensions.

The College is committed to observing the importance of the measures and indicators within the draft Framework and is monitoring these through the completion of the annual Finance Record for the LSC. As benchmarks develop so the College will be better placed to take appropriate action in the light of the overall performance rating. The current rating of Outstanding reflects the standards of performance that are embedded within the organisation.

Financial Position

Financial results

The financial statements included in this report, show the College's financial health continues to be outstanding. The LSC, in monitoring Colleges' financial strength, continues to place the College in its highest category, 'Outstanding'.

In the year there was a 6.6% increase in income to £24.7m. The College exceeded its overall LSC funding target and regrets that such over-performance is no longer directly rewarded, although acknowledges the recognition given for such performance on future year settlements. The underlying operating surplus increased strongly to £714,000 from £472,000 in the previous year. However the College was obliged to write off almost £900,000 of fees incurred in the major redevelopment project being planned, which has had to be abandoned following the withdrawal of funding support from LSC as a result of fundamental failures in its management of the national capital buildings budget. In addition the College has written down its money market investment of £2m with the Heritable Bank, which went into administration on 7 October 2008, by £700,000 in a prudent response to information received from the banks administrators.

Operating and Financial Review (continued)

The above adjustments led to a deficit for the year of £864,000. However the overall financial health of the College has meant that it has been able to absorb these costs without fundamentally changing its financial strength.

Of increasing major concern are the College's pension scheme obligations. Whilst the teachers' scheme is unfunded and therefore no deficit can be determined, the technical FRS 17 actuarial valuation of its support staff scheme (Local Government Pension Scheme) has led to a £3.4m increase in its deficit to £5.4m, which is an unprecedented 170% increase. Whilst the immediate impact is on the College's Balance Sheet, which is currently strong enough to absorb it, in due course it seems clear there will be sizeable increases in pension contributions and these will be difficult to afford without fundamental reductions in other costs.

In addition to the above, it is clear that public sector funding will reduce for a number of years as a result of the overall impact of the banking crisis and other recessionary factors on public finances. The College is developing its strategy to deal with this, but it represents an unprecedented challenge.

Tangible fixed asset additions during the year amounted to £1,813,000. This was split between land and buildings acquired of £843,000 and equipment purchased of £970,000.

The College has significant reliance on the LSC for its principal funding source, largely from recurrent grants. In 2008/09 the LSC provided 73% of the College's total income, similar to the previous year.

Treasury policies and objectives

The College has a treasury management policy in place covering the management of the College's cash flows, its banking, money market and capital market transactions. It deals with the control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is with deep disappointment that despite these stringent controls, the College was victim to the failure of the Icelandic banking system, having £2m of funds on term deposit with the Heritable Bank. At the time the placements were made the credit reference agencies rated Heritable at one of the highest levels and within the College's treasury management policy lending parameters.

Cash flows

At £1,140,000 (2007/08 £960,000), operating cash in flow was strong. There is a net cash inflow of £470,000 (2007/08 £850,000 net outflow), as the pace of capital expenditure slowed.

Liquidity

The College currently has good liquidity with no need for loans. However the College's intention is to redevelop its main campus albeit on a more modest scale than previously planned, and in the absence of any significant government support, substantial loan finance will be required.

Current and Future Development and Performance

Student numbers

In 2008/09 the College has delivered activity that has produced £16,044,000 in LSC main allocation funding (2007/08 £15,198,000). The College had approximately 13,000 LSC-funded and 3,000 non-LSC-funded students.

Student achievements

Students continue to prosper at the College. Overall success rates this year are expected to be 86%, compared with 83% last year. This is the best achieved by a local college and puts us right at the top of the table. The College continues to work hard to ensure that student achievement is kept at the top of everyone's agenda and is confident in its ability to maintain these high levels.

Operating and Financial Review (continued)

Curriculum developments

The College has a national reputation for curriculum innovation and change. It has introduced new courses in many areas of the curriculum in order to meet student needs better. In particular it has achieved the Green Gown Award for its provision of courses relating to sustainability.

Like many other colleges, many students at Bedford have low levels of prior educational achievement. The College is growing the range of courses aimed at students who are returning to education. These include E2E, Skills for Choice, Springboard, Breakthrough and basic skills programmes. The College is also involved in training the next generation of teachers of basic skills in a project with the LSC.

Courses have been designed to ensure students are able to move securely into the labour market. A major current curriculum initiative this year is to increase the number of apprentices. Other courses prepare students for university. These include:

- Aim Higher
- Access courses for adults
- Close liaison with a range of universities including the University of Bedfordshire in particular
- Continuation of Level 4 courses including HNCs and degrees where they clearly fit the needs of our students.

The highlight of 2008-09 was the OFSTED inspection which confirmed the College's unrivalled position in serving its community well and ensuring the highest outcomes. The results of the inspection were a tribute to the high quality service the College provides and the following grades were the key highlights of the report:

Effectiveness of provision	Outstanding:	Grade 1
Capacity to improve	Outstanding:	Grade 1
Achievement and standards	Good:	Grade 2
Quality of provision	Outstanding:	Grade 1
Leadership and management	Outstanding:	Grade 1

Post-balance sheet events

In August 2009 Bedford College acquired the businesses of Shuttleworth College and of Writtle College Services Ltd from Writtle College. Further details are included in Note 27 to the Financial Statements.

Future developments

The College has had to abandon its plans to redevelop the main Cauldwell Street campus and is developing a plan to mostly refurbish existing buildings. The scope will be driven by need and affordability and is expected to cost up to £30m. The recently acquired Shuttleworth College will also be a key focus for the College's management team going forward,

Operating and Financial Review (continued)

Principal Risks and Uncertainties

The College has undertaken further work during the year to develop and embed the system of internal control, including financial, operational and risk management which is designed to protect the College's assets and reputation.

Based on the strategic plan, the Executive team acting as the Risk Management Group undertakes a comprehensive annual review of the risks to which the College is exposed. They identify systems and procedures, including specific preventable actions which should mitigate any potential impact on the College. The internal controls are then implemented and the subsequent year's appraisal will review their effectiveness and progress against risk mitigation actions. In addition to the annual review, the Risk Management Group has begun to consider formally the risk environment on a termly basis.

A risk register is maintained at the College level which is reviewed termly and approved annually by the Audit Committee and the Corporation Board. The risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised using a consistent scoring system. Owing to the sensitive nature of the risk analysis this information has to remain confidential.

Stakeholder Relationships

In line with other colleges and with universities, Bedford College has many stakeholders. These include:

- Students;
- Funding Councils;
- Staff;
- Local employers (with specific links);
- Local Authorities;
- Government Offices/ Regional Development Agencies;
- The local community;
- Other FE institutions;
- Trade unions;
- Professional bodies.

The College recognises the importance of these relationships and engages in regular communication with them through the College Internet site and by meetings.

Equal opportunities and employment of disabled persons

The College is committed to ensuring equality of opportunity for all who learn and work here. Differences in race, gender, sexual orientation, able-bodiedness, class and age are respected and valued positively. The College strives vigorously to remove conditions which place people at a disadvantage and will actively combat bigotry. This policy will be resourced, implemented and monitored on a planned basis. The College's Equality and Diversity Policy, as well as its Race Equality Policy, is published on its Internet site.

Operating and Financial Review (continued)

The College considers all applications for employment from disabled persons, bearing in mind the aptitudes of the individuals concerned. Where an existing employee becomes disabled every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion that are, as far as possible, identical to those for other employees.

Disability statement

The College's Disability Policy is available to all students, visitors and enquirers and is published on its Internet website. The College seeks to achieve the objectives set down in the Disability Discrimination Act 1995 as amended by the Special Education Needs and Disability Act 2001 and 2005, and has continued to improve the accessibility and appropriateness of its facilities for students with disabilities and is committed to relocating classes should there be an access problem for a particular student. The College has substantially increased its intake of students with disabilities, on both mainstream and specialist programmes. The main site has a number of parking spaces reserved for disabled students.

Disclosure of information to auditors

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 12 November 2009 and signed on its behalf by:

Roger Whysall
Chair

Professional advisers

Financial statement and regularity auditors:

MacIntyre Hudson LLP

Internal auditors:

RSM Bentley Jennison LLP

Bankers:

Barclays Bank PLC

Solicitors:

Hewitsons LLP

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the revised Combined Code on Corporate Governance issued by the London Stock Exchange in July 2006. Its purpose is to help the reader of the accounts understand how the principles have been applied.

In the opinion of the governors, the College complies with all the provisions of the Combined Code in so far as they apply to the Further Education Sector, and it has complied throughout the year ended 31 July 2009.

The Corporation

The members who served on the Corporation Board during the year and up to the date of signature of this report were as follows:

Name	Date of Appointment	Term of Office	Date of Retirement or Resignation	Category of Membership
Mr R Whysall Chairman	Re-appointed March 2009	4 years		External
Mr M Whitlock Vice Chair	Re-appointed July 2008	3 years		External
Ms A Abobade	August 2009	1 year		Student
Miss P I Barrett	Re-appointed November 2006	4 years		External (Co-opted)
Mr K Bromboszcz	Re-appointed July 2008	4 years		External
Mr J Frost	July 2006	4 years		External (Community)
Mr M J Hartley	Re-appointed December 2007	4 years		External (Community)
Mrs L Hockey	November 2006	4 years		External (Co-opted)
Mr B S Hundal	Re-appointed March 2008	4 years		External
Ms J Hunt	Re-appointed July 2008	4 years		External
Mr M Y Kiteley	Re-appointed July 2006	4 years		External (Business)
Mr J R Marriott	March 2009	4 years		External
Mr D A Parry	Re-appointed December 2005	4 years		External (Business)
Mr I Pryce	December 1998	-		Chief Executive
Mrs E M A Punter	Re-appointed August 2009	2 years		Staff
Mr D J Shingler	Re-appointed May 2008	4 years		External
Mr D Sims	July 2008	1 year	31 July 2009	Student
Ms S Thomas	November 2008	9 months	31 July 2009	Student
Mr M Ward	Re-appointed August 2009	2 years		Staff
Mr M R Weeden	Re-appointed July 2006	4 years		External (Business)

Statement of Corporate Governance and Internal Control (continued)

The Corporation conducts its business through seven Committees as described below. Each Committee has terms of reference, which have been approved by the Corporation Board.

Corporation Committees and their membership during the year

Audit	Mr D A Parry* Mr M Y Kiteley**	Mr M Whitlock Mr M Ward
Corporate Governance	Mr R Whysall* Mr M Whitlock** Miss P I Barrett Mr K Bromboszcz Mr M Y Kiteley	Mr D A Parry Mr I Pryce Mr D J Shingler Mr M R Weeden
Finance, Estates & Strategy	Mr K Bromboszcz* Mrs L Hockey** Mr M Hartley	Mr I Pryce Mr D J Shingler Mr M R Weeden Mr R Whysall
Human Resources	Mr M Whitlock* Mr B Hundal** Miss P I Barrett	Mr J Frost Mr I Pryce Mr R Whysall
Remuneration	Mr R Whysall* Mr M R Weeden** Miss P I Barrett Mr K Bromboszcz	Mr M Y Kiteley Mr D A Parry Mr D J Shingler Mr M Whitlock
Search	Mr D J Shingler* Mr M Hartley** Miss P I Barrett Mr B Hundal Mr M Y Kiteley Mr D A Parry	Mr I Pryce Mrs E M A Punter Mr M R Weeden Mr M Whitlock Mr R Whysall
Quality, Standards and Achievement	Mr M Y Kiteley* Ms J Hunt** Ms A Abobade (wef 01.08.09) Mr K Bromboszcz Mr B Hundal Mr J R Marriott (wef 10.03.09)	Mr I Pryce Mrs E M A Punter Mr D Sims (01.08.08-31.07.09) Ms S Thomas (11.11.08-31.07.09) Mr M Ward Mr M Weeden

*Committee Chair

** Committee Vice-Chair

It is the members of the Corporation's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct.

The Corporation is provided with regular and timely information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Corporation Board meets at least three times a year.

Full minutes of all meetings, except those elements deemed to be confidential by the members of the Corporation, are available on the College's website or from the Clerk to the Corporation at:

Bedford College
Cauldwell Street
Bedford
MK42 9HA

The Clerk to the Corporation maintains a register of financial and personal interests of the governors. The register is available for inspection at the above address.

Statement of Corporate Governance and Internal Control (continued)

All governors are able to take independent professional advice in furtherance of their duties at the College's expense and have access to the Clerk to the Corporation, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Corporation as a whole.

Formal agendas, papers and reports are supplied to governors in a timely manner, prior to Board meetings. Briefings are also provided on an ad hoc basis.

The Corporation has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Corporation considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chairman and Chief Executive are separate, and there is a comprehensive programme of continuous professional development available to all members of the Corporation.

Appointments to the Corporation

Any new appointments to the Corporation are a matter for the consideration of the Corporation as a whole. The Corporation has a Search Committee, consisting of twelve members of the Corporation, which is responsible for the selection and nomination of any new member for the Corporation's consideration. The Corporation is responsible for ensuring that appropriate training for new members is provided as required.

Members of the Corporation are appointed for a term of office not exceeding four years.

Remuneration committee

The Remuneration Committee comprised of eight members of the Corporation. The Committee has delegated authority from the Corporation to determine the remuneration and terms and conditions of employment of the Chief Executive and other senior post-holders and met once during the year.

Details of the remuneration of the Chief Executive and other senior post-holders for the year ended 31 July 2009 are set out in note 6 to the financial statements.

Audit committee

The Audit Committee comprised of four members of the Corporation (excluding the Chief Executive and Chair) throughout the year. The Committee operates in accordance with written terms of reference approved by the Corporation.

The Audit Committee meets at least termly and provides a forum for reporting by the College's internal, regularity and financial statements auditors, who have access to the Committee for independent discussion, without the presence of College management. The Committee also receives and considers reports from the LSC as they affect the College's business.

The College's internal auditors monitor the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit Committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

The Audit Committee also advises the Corporation on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work.

Statement of Corporate Governance and Internal Control (continued)**Internal control***Scope of responsibility*

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Corporation has delegated the day-to-day responsibility to the Chief Executive, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between Bedford College and the LSC. He is also responsible for reporting to the Corporation any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Bedford College for the year ended 31 July 2009 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Corporation has reviewed the key risks to which the College is exposed together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2009 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the governing body
- regular reviews by the governing body of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- the adoption of formal project management disciplines, where appropriate.

Bedford College has an internal audit service, which operates in accordance with the requirements of the LSC's *Audit Code of Practice*. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The Head of Internal Audit (HIA) provides the members of the Corporation with an annual report on internal audit activity in the College. The report includes the HIA's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Statement of Corporate Governance and Internal Control (continued)*Review of effectiveness*

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments made by the College's financial statements auditors, the regularity auditors (for colleges in plan-led funding), the LSC-appointed funding auditors (for colleges outside plan-led funding) in their management letters and other reports.

The Chief Executive has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The senior management team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments and reinforced by risk awareness training. The senior management team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the senior management team and the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2009 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2009 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2009.

Going concern

After making appropriate enquiries, the Corporation considers that the College has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Approved by order of the members of the Corporation on 12 November 2009 and signed on its behalf by:

Roger Whysall
Chair

Ian Pryce
Principal

Statement of Responsibilities of the Members of the Corporation

The members of the Corporation are required to present audited financial statements for each financial year.

Within the terms and conditions of the Financial Memorandum agreed between the LSC and the Corporation of the College, the Corporation, through its Chief Executive, is required to prepare financial statements for each financial year in accordance with the 2007 *Statement of Recommended Practice – Accounting for Further and Higher Education Institutions* and with the Accounts Direction issued by the LSC, which give a true and fair view of the state of affairs of the College and the result for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare financial statements on the going concern basis, unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the College, and which enable it to ensure that the financial statements are prepared in accordance with the relevant legislation of incorporation and other relevant accounting standards. It is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the College and to prevent and detect fraud and other irregularities.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition they are responsible for ensuring that funds from the LSC are used only in accordance with the Financial Memorandum with the LSC and any other conditions that the LSC may prescribe from time to time. Members of the Corporation must ensure that there are appropriate financial and management controls in place in order to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure, so that the benefits that should be derived from the application of public funds by the LSC are not put at risk.

Approved by order of the members of the Corporation on 12 November 2009 and signed on its behalf by:

Roger Whysall
Chair

Independent Auditors' Report to the Corporation of Bedford College

We have audited the financial statements of Bedford College for the year ended 31 July 2009, which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Corporation, as a body, in accordance with statutory requirements. Our audit work has been undertaken so that we might state to the Corporation, as a body, those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Members of the Corporation of Bedford College and Auditors

As described in the Statement of Responsibilities the College's Corporation is responsible for preparing the Members Report and financial statements in accordance with the Accounts Direction issued by the Learning and Skills Council, the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education, applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education. We also report to you if, in our opinion, the Members' Report is not consistent with the financial statements, if the College has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Members' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Audit Code of Practice issued by the Learning and Skills Council. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the College's Corporation in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the College as at 31 July 2009 and of the College's deficit of expenditure over income for the year then ended; and
- the financial statements have been properly prepared in accordance with the 2008/09 Accounts Direction issued by the Learning and Skills Council and the 2007 Statement of Recommended Practice – Accounting for Further and Higher Education.

MacIntyre Hudson LLP
Chartered Accountants
Registered Auditors

Date

The maintenance and integrity of Bedford College website is the responsibility of the governing body of the college; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditors' Report on Regularity to the Corporation of Bedford College ('the Corporation') and the Learning and Skills Council ('the LSC')

In accordance with the terms of our engagement letter dated 10 May 2006 and further to the requirements of the LSC, we have carried out a review to obtain assurance about whether, in all material respects, the expenditure and income of Bedford College ('the College') for the year ended 31 July 2009 have been applied to the purposes identified by Parliament and the financial transactions conform to the authorities which govern them.

This report is made solely to the Corporation and the LSC. Our review work has been undertaken so that we might state to the Corporation and the LSC those matters we are required to state to it in a report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the LSC, for our review work, for this report, or for the opinion we have formed.

Respective responsibilities of the Members of the Corporation of Bedford College and Auditors

The College's Corporation is responsible, under the requirements of the Further & Higher Education Act 1992, subsequent legislation and related regulations, for ensuring that expenditure and income are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this review are established in the United Kingdom by our profession's ethical guidance and the audit guidance set out in the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. We report to you whether, in our opinion, in all material respects, the College's expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Basis of opinion

We conducted our review in accordance with the Audit Code of Practice and the Regularity Audit Framework issued by the LSC. Our review includes examination, on a test basis, of evidence relevant to the regularity and propriety of the College's income and expenditure.

Opinion

In our opinion, in all material respects the expenditure and income for the year ended 31 July 2009 have been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

MacIntyre Hudson LLP
Chartered Accountants

Date

Income and Expenditure Account

	Notes	2009 £'000	2008 £'000
INCOME			
Funding council income	2	19,376	18,159
Tuition fees and education contracts	3	4,141	3,550
Other income		1,071	1,072
Endowment and investment income	4	86	373
		<hr/>	<hr/>
Total income		24,674	23,154
EXPENDITURE			
Staff costs	5	15,552	14,715
Other operating expenses	7	6,665	6,632
Depreciation	12	1,648	1,295
Interest and other finance costs	9 & 25	96	-
		<hr/>	<hr/>
Total expenditure		23,961	22,642
		<hr/>	<hr/>
Surplus on continuing operations prior to investment write down and aborted redevelopment costs		713	512
Investment write down	8	<u>(700)</u>	<u>-</u>
Surplus on continuing operations prior to aborted redevelopment costs		13	512
Aborted redevelopment costs	26	<u>(878)</u>	<u>-</u>
		<hr/>	<hr/>
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and before exceptional items and tax		(865)	512
Profit / (loss) on disposal of assets		<u>1</u>	<u>(40)</u>
		<hr/>	<hr/>
(Deficit) / surplus on continuing operations after depreciation of assets at valuation, exceptional items and disposal of assets but before tax		(864)	472
Taxation	10	-	-
		<hr/>	<hr/>
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and tax	11	(864)	472
		<hr/>	<hr/>
(Deficit) / surplus for the year retained within general reserves		(864)	472
		<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account is in respect of continuing activities.

The investment write down relates to a treasury deposit with the Heritable Bank as described in Note 8.

Statement of Historical Cost Surpluses and Deficits

	Notes	2009	2008
		£'000	£'000
(Deficit) / surplus on continuing operations before taxation	11	(864)	472
Difference between historical cost depreciation and the actual charge for the year calculated on the devalued amount	17	-	-
Realisation of property revaluation gains of previous years	17	206	207
		<hr/>	<hr/>
Historical cost (deficit)/surplus for the year before taxation		(658)	679
		<hr/> <hr/>	<hr/> <hr/>
Historical cost (deficit)/surplus for the year after taxation		(658)	679
		<hr/> <hr/>	<hr/> <hr/>

Statement of Total Recognised Gains and Losses

	Notes	2009	2008
		£'000	£'000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation and tax	11	(864)	472
Actuarial loss in respect of pension scheme	25	(3,251)	(56)
		<hr/>	<hr/>
Total recognised (losses) / gains since last report		(4,115)	416
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation			
Opening reserves and endowments		22,056	21,640
Total recognised losses for the year		(4,115)	416
		<hr/>	<hr/>
Closing reserves and endowments		17,941	22,056
		<hr/> <hr/>	<hr/> <hr/>

Balance sheet as at 31 July

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	12	25,206	25,041
		<hr/>	<hr/>
Total fixed assets		25,206	25,041
Current assets			
Stocks		23	37
Debtors	13	823	995
Investments	23	5,078	4,100
Cash at bank and in hand	23	316	823
		<hr/>	<hr/>
Total current assets		6,240	5,955
Less: Creditors – amounts falling due within one year	14	(3,277)	(2,633)
		<hr/>	<hr/>
Net current assets		2,963	3,322
Total assets less current liabilities		28,169	28,363
Less: Creditors – amounts falling due after more than one year	15	-	-
		<hr/>	<hr/>
Net assets excluding pension liability		28,169	28,363
Net pension liability	25	(5,370)	(1,984)
		<hr/>	<hr/>
NET ASSETS INCLUDING PENSION LIABILITY		22,799	26,379
Deferred capital grants	16	4,858	4,323
Income and expenditure account excluding pension reserve	18	13,989	14,512
Pension reserve	25	(5,370)	(1,984)
		<hr/>	<hr/>
Income and expenditure account including pension reserve	18	8,619	12,528
Revaluation reserve	17	9,322	9,528
Total Reserves		17,941	22,056
TOTAL		22,799	26,379
		<hr/>	<hr/>

The financial statements on pages 17 to 38 were approved by the Corporation on 12 November 2009 and were signed on its behalf on that date by:

Cash Flow Statement

	Notes	2009 £'000	2008 £'000
Cash inflow from operating activities	19	1,144	963
Returns on investments and servicing of finance	20	86	335
Taxation	10	-	-
Capital expenditure and financial investment	21	(759)	(2,148)
Management of liquid resources	22	(978)	1,350
		<hr/>	<hr/>
(Decrease) / increase in cash in the year	23	(507)	500
 Reconciliation of net cash flow to movement in net funds/(debt)			
(Decrease) / increase in cash in the period	23	(507)	500
Cash inflow from liquid resources	22	978	(1,350)
		<hr/>	<hr/>
Movement in net funds in the period	23	471	(850)
Net funds at 1 August	23	4,923	5,773
		<hr/>	<hr/>
Net funds at 31 July	23	5,394	4,923

Notes to the Accounts

1. Accounting policies

Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2007* (the SORP) and in accordance with applicable Accounting Standards. They conform to guidance published by the LSC in the Accounts Direction Handbook.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Recognition of income

The recurrent grant from HEFCE represents the funding allocations attributable to the current financial year and is credited direct to the income and expenditure account.

LSC recurrent grants are recognised in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under or over achievement for the LSC adult learner responsive funding element is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the LSC at the end of November following the year end. Employer responsive grant income is recognised based on a year end reconciliation of income claimed and actual delivery with the LSC. 16-18 learner funding is not normally subject to reconciliation and is therefore not subject to contract adjustments.

Non-recurrent grants from the LSC or other bodies received in respect of the acquisition of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from tuition fees is recognised in the period for which it is received and includes all fees payable by students or their sponsors, for example the National Health Service and local employers.

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned.

All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments

Post retirement benefits

Retirement benefits to employees of the College are provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit schemes, which are externally funded and contracted out of the State Earnings-Related Pension Scheme (SERPS).

Notes to the Accounts (continued)

1. Accounting policies (continued)

Post retirement benefits (continued)

Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method. As stated in Note 25, the TPS is a multi employer scheme and the College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The TPS is therefore treated as a defined contribution scheme and the contributions recognised as they are paid each year.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Tangible fixed assets

Land and buildings

Land and buildings inherited from the local education authority are stated in the balance sheet at valuation on the basis of depreciated replacement cost as the open market value for existing use is not readily obtainable. Building improvements made since incorporation are included in the balance sheet at cost. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful economic life to the College of 50 years. The College has a policy of depreciating major adaptations to buildings over the period of their useful economic life.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account, and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 15, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 1996, but not to adopt a policy of revaluations of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the income and expenditure account in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- Market value of the fixed asset has subsequently improved
- Asset capacity increases
- Substantial improvement in the quality of output or reduction in operating costs
- Significant extension of the asset's life beyond that conferred by repairs and maintenance

Notes to the Accounts (continued)

1. Accounting policies (continued)

Tangible Fixed Assets (continued)

Buildings owned by third parties

Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit.

These assets are then depreciated over their expected useful economic life.

Equipment

Equipment costing less than £1,000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Inherited equipment has been depreciated on a straight-line basis over its remaining useful economic life to the College of between one and three years from incorporation and is now fully depreciated. All other equipment is depreciated over its useful economic life as follows:

- building improvements – 10 years on a straight-line basis
- motor vehicles – 3 years on a straight-line basis
- computer equipment – 4 years on a straight-line basis
- furniture, fixtures and fittings – 5 years on a straight-line basis.

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

The College had no assets on finance leases as at 31 July 2009

Maintenance of premises

The cost of routine corrective maintenance is charged to the income and expenditure account in the period that it is incurred.

Stocks

Stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the financial period with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Notes to the Accounts (continued)

1. Accounting policies (continued)

Taxation

The College is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 as amended by the Charities Act 2006 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act 1988 (ICTA 1988). Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The College receives no similar exemption in respect of value added tax. For this reason the College is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Agency arrangements

The College acts as an agent in the collection and payment of Learner Support Funds. Related payments received from the LSC and subsequent disbursements to students are excluded from the Income and Expenditure account and are shown separately in Note 31, except for the 5 per cent of the grant received which is available to the College to cover administration costs relating to the grant.

Notes to the Accounts (continued)**2 Funding council income**

	2009 £'000	2008 £'000
Recurrent grant - LSC	16,044	15,198
Recurrent grant - HEFCE	1,000	938
Non recurrent grants - LSC	2,066	1,881
Releases of deferred capital grants (note 20)	266	142
	<hr/>	<hr/>
Total	<u>19,376</u>	<u>18,159</u>

The College is the lead partner in a consortium delivering Train to Gain in the Eastern region. The income shown above includes that earned by the College in its capacity both as a provider and as a consortium lead. All other income claimed from the LSC and payable to consortium partners has been excluded from these accounts. Total income claimed in the year under this arrangement and the related payments to partners was as follows:

	2009 £'000	2008 £'000
Train To Gain income	2,169	1,183
Payments to non college partners	(1,163)	(763)
Payments to FE College partners	(170)	(85)
	<hr/>	<hr/>
Net income	<u>836</u>	<u>335</u>

3 Tuition fees and education contracts

	2009 £'000	2008 £'000
Tuition fees	2,282	1,999
Education contracts	1,859	1,551
	<hr/>	<hr/>
Total	<u>4,141</u>	<u>3,550</u>

Tuition fees funded by bursaries

Included within the above amounts are tuition fees funded by bursaries of £44,400 (2007/08 Nil).

4 Endowment and investment income

	Notes	2009 £'000	2008 £'000
Other interest receivable		86	335
		<hr/>	<hr/>
Pension finance income	25	-	38
		<hr/>	<hr/>
Total		<u>86</u>	<u>373</u>

Notes to the Accounts (continued)

5 Staff costs

The average number of persons (including senior post-holders) employed by the College during the year, described as full-time equivalents, was:

	2009 No.	2008 No.
Teaching staff	392	367
Non teaching staff	123	119
	515	486

Staff costs for the above persons

	2009 £'000	2008 £'000
Wages and salaries	13,001	11,986
Social security costs	957	887
Other pension costs including FRS 17 adjustment of £39,000 (2008 - £254,000)	1,465	1,532
Payroll sub total	15,423	14,405
Contracted out staffing services	129	310
Exceptional restructuring costs	-	-
	15,552	14,715

The number of senior post-holders and other staff who received emoluments, including pension contributions and benefits in kind, in the following ranges was:

	Senior post-holders		Other staff	
	2009 No.	2008 No.	2009 No.	2008 No.
£60,001 to £70,000	1	1	6	3
£80,001 to £90,000	-	1	-	-
£90,001 to £100,000	1	1	-	-
£100,001 to £110,000	1	-	-	-
£130,001 to £140,000	1	1	-	-
	4	4	6	3

6 Senior post-holders' emoluments

Senior post-holders are defined as the Principal and holders of the other senior posts whom the Governing Body has selected for the purposes of the articles of government of the College relating to the appointment and promotion of staff who are appointed by the Governing Body.

	2009 No.	2008 No.
The number of senior post-holders including the Principal was:	5	5

Notes to the Accounts (continued)**6 Senior post-holders' emoluments continued**

Senior post-holders' emoluments are made up as follows:

	2009 £'000	2008 £'000
Salaries	379	370
Benefits in kind	8	10
Pension contributions	46	43
	<hr/>	<hr/>
Total emoluments	433	423

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	2009 £'000	2008 £'000
Salaries	120	115
Benefits in kind	7	7
	<hr/>	<hr/>
	127	122
	<hr/>	<hr/>
Pension contributions	13	13

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Teachers' Pension Scheme and Local Government Pension Scheme and are paid at the same rate as for other employees.

The members of the Corporation other than the Principal and the staff member did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

7 Other operating expenses

	2009 £'000	2008 £'000
Teaching costs	2,183	2,426
Non teaching costs	2,413	2,239
Premises costs	2,069	1,967
	<hr/>	<hr/>
Total	6,665	6,632

Other operating expenses include:

	2009 £'000	2008 £'000
Auditors' remuneration:		
Financial statements audit	17	17
Internal audit	15	14
Other services provided by the financial statements	-	-
Other services provided by the internal auditors	-	-
Hire of plant and machinery – operating leases	29	47
Losses on disposal of tangible fixed assets (where not material)	-	(40)
Hire of other assets – operating leases	-	-
	<hr/>	<hr/>

Notes to the Accounts (continued)**8 Loss on money market investment**

	2009 £'000	2008 £'000
Heritable Bank write down	700	-
	<u>700</u>	<u>-</u>

On 7 October 2008 the Heritable Bank went into administration. The College had £1,997,777, including accrued interest at that date invested on term deposits. In July 2009 the College received a first dividend of £322,163 and the Administrators have indicated that between 55% and 80% is likely to be repaid. As a result the College has written down £700,000, being 35% of the total sum. The outcome is unlikely to be finalised for at least two more years.

9 Interest payable

	Notes	2009 £'000	2008 £'000
On finance leases		-	-
Pension finance costs	25	96	-
		<u>96</u>	<u>-</u>
Total		<u>96</u>	<u>-</u>

10 Taxation

The College is an exempt charity and is therefore broadly exempt from corporation tax on its activities

11 (Deficit) / surplus on continuing operations for the period

The (deficit) / surplus on continuing operations for the year is made up as follows:

	2009 £'000	2008 £'000
College's (deficit) / surplus for the period	(864)	472
	<u>(864)</u>	<u>472</u>
Total	<u>(864)</u>	<u>472</u>

Notes to the Accounts (continued)

12 Tangible fixed assets

	Land and Buildings Freehold	Equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 August 2008	27,431	5,051	32,482
Additions	843	970	1,813
Surplus on revaluation	-	(2)	(2)
Disposals			
	<u>28,274</u>	<u>6,019</u>	<u>34,293</u>
Depreciation			
At 1 August 2008	4,381	3,059	7,440
Charge for the year	663	985	1,648
Elimination in respect of disposals	-	(1)	(1)
	<u>5,044</u>	<u>4,043</u>	<u>9,087</u>
Net book value at 31 July 2009	<u><u>23,230</u></u>	<u><u>1,976</u></u>	<u><u>25,206</u></u>
Net book value at 31 July 2008	<u>23,049</u>	<u>1,992</u>	<u>25,041</u>
Inherited	9,317	-	9,317
Financed by capital grant	4,380	478	4,858
Other	9,533	1,498	11,031
	<u>23,230</u>	<u>1,976</u>	<u>25,206</u>

The transitional rules set out in FRS 15 Financial Reporting for Tangible Fixed Assets have been applied for land and Buildings which allows previous valuations to be adopted.

Land, buildings and equipment were inherited from the Local Education Authority on 1 April 1993. Inherited land was valued at open market value for 'college' use and buildings at depreciated cost, by a firm of independent chartered surveyors. Their valuation will not be updated. Inherited equipment is now fully written off. If inherited land and buildings had not been valued they would have been included at nil value as no consideration was paid.

Land and buildings with a net book value of £9,317,462 have been partly financed by exchequer funds, through for example the receipt of capital grants. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the LSC, to surrender the proceeds.

	£'000
Cost	Nil
Aggregate depreciation based on cost	Nil
Net book value based on cost	<u><u>Nil</u></u>

Notes to the Accounts (continued)

13 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Trade debtors	308	181
Other debtors	6	-
Prepayments and accrued income	464	769
Amounts owed by the LSC	45	45
	<hr/>	<hr/>
Total	823	995

14 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Payments received in advance	686	620
Trade creditors	937	450
Other taxation and social security	416	400
Accruals	1,238	1,115
Amounts owed to the LSC	-	48
	<hr/>	<hr/>
Total	3,277	2,633

15 Creditors amounts falling due after one year

	2009 £'000	2008 £'000
Other creditors	-	-
	<hr/>	<hr/>
Total	-	-

16 Deferred capital grants

	LSC grants £'000	Other grants £'000	Total £'000
At 1 August 2008	2,756	1,568	4,324
Cash received	915	137	1,052
Released to income and expenditure account	(266)	(252)	(518)
	<hr/>	<hr/>	<hr/>
At 31 July	3,405	1,453	4,858

Notes to the Accounts (continued)**17 Revaluation reserve**

	2009	2008
	£'000	£'000
At 1 August	9,528	9,735
Transfer from revaluation reserve to general reserve in respect of:		
Disposals		
Depreciation on revalued assets	(206)	(207)
At 31 July	<u>9,322</u>	<u>9,528</u>

18 Movement on general reserves

	Notes	2009	2008
		£'000	£'000
Income and expenditure account reserve			
At 1 August		12,528	11,905
(Deficit) / surplus retained for the year	11	(864)	472
Transfer from revaluation reserve	17	206	207
Actuarial loss in respect of pension scheme	25	(3,251)	(56)
At 31 July		<u>8,619</u>	<u>12,528</u>
Balance represented by:			
Pension reserve	25	(5,370)	(1,984)
Income and expenditure account reserve excluding pension reserve		13,989	14,512
At 31 July		<u>8,619</u>	<u>12,528</u>

19 Reconciliation of operating surplus to net cash inflow from operating activities

	Notes	2009	2008
		£'000	£'000
(Deficit) / surplus on continuing operations after depreciation of assets at valuation	11	(864)	472
Depreciation	12	1,648	1,295
Deferred capital grants released to income	16	(518)	(406)
(Profit) / loss on disposal of tangible fixed assets	12	(1)	40
FRS17 pension finance cost	25	96	-
Interest receivable	4	(86)	(335)
FRS 17 pension cost less contributions payable	25	39	254
FRS 17 pension finance income	25	-	(38)
(Increase) / decrease in stocks		14	(5)
Decrease in debtors	13	172	408
Increase / (decrease) in creditors	14	644	(722)
Net cash inflow from operating activities		<u>1,144</u>	<u>963</u>

Notes to the Accounts (continued)**20 Returns on investments and servicing of finance**

	Notes	2009 £'000	2008 £'000
Other interest received	4	86	335
Interest paid	25	-	-
Net cash inflow from returns on investment and servicing of finance		86	335

21 Capital expenditure and financial investment

	Notes	2009 £'000	2008 £'000
Purchase of tangible fixed assets	12	(1,813)	(3,459)
Sales of tangible fixed assets	12	2	-
Deferred capital grants received	16	1,052	1,311
Net cash outflow from capital expenditure and financial investment		(759)	(2,148)

22 Management of liquid resources

	Notes	2009 £'000	2008 £'000
Withdrawals from deposits	23	-	1,350
Placing of deposits	23	(978)	-
Net cash (outflow) / inflow from management of liquid resources		(978)	1350

23 Analysis of changes in net funds

	At 1 August 2008 £'000	Cash flows £'000	At 31 July 2009 £'000
Cash in hand, and at bank	823	(507)	316
Current asset investments	4,100	978	5,078
Total	4,923	471	5,394

24 Major non-cash transactions

Nil

Notes to the Accounts (continued)**25 Pension and similar obligations**

The College's employees belong to two principal pension schemes: the Teachers' Pension Scheme England and Wales (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by Bedford Borough Council. Both are defined-benefit schemes.

Total pension cost for the year	2009 £000	2008 £000
Teachers Pension Scheme: contributions paid	905	859
Local Government Pension Scheme:		
Contributions paid	461	419
FRS 17 charge	39	254
Charge to the Income and Expenditure Account (staff costs)	500	673
Compensation pension charge to Income and Expenditure Account (staff costs)	60	-
Total Pension Cost for Year	1,465	1,532

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest actuarial valuation of the TPS was 31 March 2004 and of the LGPS 31 March 2007. An additional contribution amounting to £60,000 (2008 £0) were payable to the LGPS scheme at 31st July in respect of early retirements and are included within creditors.

Teachers' Pension Scheme

The TPS is an unfunded defined benefit scheme. Contributions on a "pay-as-you-go" basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates.

The pensions cost is normally assessed no less than every four years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation (under the new provisions)	31 March 2004
Actuarial method	Prospective benefits
Investment returns per annum	6.5 per cent per annum
Salary scale increases per annum	5.0 per cent per annum
Notional value of assets at date of last valuation	£162,650 million
Proportion of members' accrued benefits covered by the notional value of the assets	98.88 %

Following the implementation of Teacher's Pension (Employers' Supplementary Contributions) Regulations 2000, the Government Actuary carried out a further review on the level of employer contributions. For the period from 1 August 2008 to 31 July 2009 the employer contribution was 14.1%. The employee rate was 6.4% for the same period.

FRS 17

Under the definitions set out in Financial Reporting Standard (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out above the information available on the scheme and the implications for the College in terms of the anticipated contribution rates.

Notes to the Accounts (continued)

25 Pension and similar obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate trustee-administered funds. The total contribution made for the year ended 31 July 2009 was £705,372, of which employer's contributions totalled £460,855 and employees' contributions totalled £245,517. The agreed contribution rates for future years are 11.9% for employers and contributions of between 5.5% and 7.5% per cent dependant on the full time equivalent salary for employees.

FRS 17**Principal Actuarial Assumptions**

	At 31 July 2009	At 31 July 2008
Rate of increase for pensions in payment / inflation	3.7%	3.8%
Rate of increase in salaries	5.2%	5.3%
Expected return on Assets	6.3%	7.1%
Discount rate for liabilities	6.0%	6.7%
Commutation of pensions to lump sums	50.1%	50.0%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2009	At 31 July 2008
<i>Retiring today</i>		
Males	19.60	19.60
Females	22.50	22.50
<i>Retiring in 20 years</i>		
Males	20.70	20.70
Females	23.60	23.60

The assets and liabilities in the scheme (of which the college's share is estimated to be 0.77%) and the expected rates of return were:

	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008
		£'000		£'000
Equities	7.3%	5,099	7.8%	6,383
Bonds	5.3%	2,022	5.7%	1,745
Property	5.3%	527	5.7%	861
Cash	4.3%	1,143	4.8%	283
Total market value of assets		8,791		9,272
Present value of scheme liabilities				
- Funded				
- Unfunded		(14,161)		(11,256)
Related deferred tax liability		-		-

Deficit in the scheme	<u>(5,370)</u>	<u>(1,984)</u>
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Notes to the Accounts (continued)**25 Pension and similar obligations (continued)****Local Government Pension Scheme (continued)****Analysis of the amount charged to income and expenditure account**

	2009 £'000	2008 £'000
Employer service cost (net of employee contributions)	500	550
Past service cost	-	123
	<hr/>	<hr/>
Total operating charge	<u>500</u>	<u>673</u>

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	675	724
Interest on pension liabilities	(771)	(686)
	<hr/>	<hr/>
Pension finance income / (costs)	<u>(96)</u>	<u>38</u>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	2009	2008
Actuarial losses on pension scheme assets	(1,638)	(1,664)
Actuarial (losses) / gains on scheme liabilities	(1,613)	1,608
	<hr/>	<hr/>
Actuarial loss recognised in STRGL	<u>(3,251)</u>	<u>(56)</u>

Movement in surplus/(deficit) during year

	2009 £'000	2008 £'000
Deficit in scheme at 1 August	(1,984)	(1,712)
Movement in year:		
Employer service cost (net of employee contributions)	(500)	(550)
Employer contributions	461	419
Past service cost	-	(123)
Net (interest) / return on assets	(96)	38
Actuarial loss	(3,251)	(56)
	<hr/>	<hr/>
Deficit in scheme at 31 July	<u>(5,370)</u>	<u>(1,984)</u>

Notes to the Accounts (continued)**25 Pension and similar obligations continued****Local Government Pension Scheme (Continued)****Asset and Liability Reconciliation**

	2009	2008
	£'000	£'000
Reconciliation of Liabilities		
Liabilities at start of period	11,256	11,504
Service cost	500	550
Interest cost	771	686
Employee contributions	249	224
Experience gains and losses on scheme liabilities	-	-
Actuarial loss / (gain)	1,613	(1,608)
Benefits paid	(228)	(223)
Past Service cost	-	123
Curtailments and settlements	-	-
	<hr/>	<hr/>
Liabilities at end of period	14,161	11,256
Reconciliation of Assets		
Assets at start of period	9,272	9,792
Expected return on assets	675	724
Actuarial loss	(1,638)	(1,664)
Employer contributions	461	419
Employee contributions	249	224
Benefits paid	(228)	(223)
	<hr/>	<hr/>
Assets at end of period	8,791	9,272

The estimated value of employer contributions for the year ended 31st July 2010 is £453,000.

History of experience gains and losses

	2009	2008	2007	2006	2005
Difference between the expected and actual return on assets:					
Amount £'000*	(1,638)	(1,664)	219	288	653
Percentage of scheme assets	-18.6%	-17.9%	2.2%	3.6%	9.7%
Experience gains and losses on scheme liabilities:					
Amount £'000*	-	1,031	(3)	.	(86)
Percentage of scheme liabilities	0.0%	9.2%	0.0%	0.0%	0.9%
Total amount recognised in STRGL:					
Amount £'000*	(3,251)	(56)	1,271	(172)	(508)
Percentage of scheme liabilities	-23%	0.0%	11.0%	-1.5%	-5.4%

Notes to the Accounts (continued)**26 Aborted redevelopment costs**

	2009 £'000	2008 £'000
Gross fees incurred on aborted accommodation redevelopment project	1,128	-
Grant received from LSC for aborted redevelopment costs	(250)	-
	<hr/>	<hr/>
Net aborted redevelopment costs	<u>878</u>	<u>-</u>

27 Post-balance sheet events

On 7 August 2009, but effective on 1 August 2009 Bedford College acquired the businesses of Shuttleworth College and of Writtle College Services Ltd from Writtle College. Shuttleworth is an agricultural college based near Biggleswade, Bedfordshire, and was a division of Writtle College. Writtle College Services Ltd operated ancillary commercial activities at the same site and these activities have been transferred to Bedford College Services Ltd, a newly created wholly owned subsidiary of Bedford College. The consideration, payable over four years, amounts to £1,000,000 for the goodwill of the businesses and assets at valuation of approximately £300,000.

28 Capital commitments

	2009 £'000	2008 £'000
Commitments contracted for at 31 July	377	1,888
	<hr/>	<hr/>
Authorised but not contracted for at 31 July	<u>3,400</u>	<u>185</u>

29 Financial commitments

At 31 July the College had annual commitments under non-cancellable operating leases as follows:

	2009 £'000	2008 £'000
Land and buildings	-	-
Expiring within one year	29	32
Expiring within two and five years inclusive	144	236
Expiring in over five years	161	85
	<hr/>	<hr/>
	<u>334</u>	<u>353</u>
Other		
Expiring within one year	-	6
Expiring within two and five years inclusive	32	15
Expiring in over five years	-	3
	<hr/>	<hr/>
	<u>32</u>	<u>24</u>

Notes to the Accounts (continued)**30 Related party transactions**

Owing to the nature of the College's operations and the composition of the board of governors being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the board of governors may have an interest. All transactions involving such organisations are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures

31 Amounts disbursed as agent

Learner support funds	2009 £'000	2008 £'000
LSC grants – hardship funds	208	187
LSC grants – childcare	92	66
LSC grants – residential bursaries	-	-
Other Funding bodies grants	11	2
	<hr/>	<hr/>
	311	255
Disbursed to students	(271)	(255)
Staffing	-	-
Administration costs	(15)	-
Audit fees	-	-
Amount consolidated in financial statements	-	-
	<hr/>	<hr/>
Balance unspent as at 31 July, included in creditors	25	-
	<hr/>	<hr/>

LSC grants are available solely for students. In the majority of instances, the College only acts as a paying agent. In these circumstances, the grants and related disbursements are therefore excluded from the income and expenditure account. The income and expenditure consolidated in the College's financial statements relates to the purchase of some equipment from the access fund and the payment of accommodation by the College on the student's behalf.